Comments of the Green Power Institute on RPS Issues for 2006 IEPR Status Report

CEC Docket Nos. 06-IEP-1, 03-RPS-1078.
2006 Integrated Policy Report Update—RPS Mid-Course Review.

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Introduction

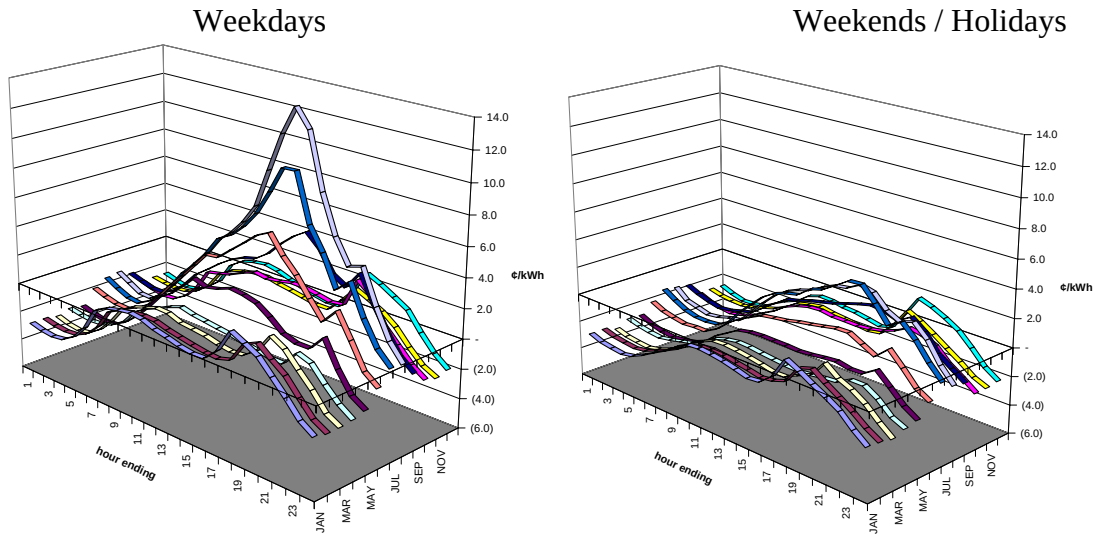
The Green Power Institute (GPI) respectfully submits these Comments on the *2006 Integrated Policy Report Update—RPS Mid-Course Review*, in Docket numbers 06-IEP-1, and 06-RPS-1078, in connection with the 2006 Integrated Energy Policy Report Proceeding. We offer comments on the topics of: increasing transparency through improved time-of-delivery factors, contract failure and contingencies, transmission issues, and streamlined accounting. These are complex issues, and it is important to plan and regulate the state's RPS program effectively.

Increasing Transparency through Improved TOD Factors

The Green Power Institute has consistently advocated for the use of improved TOD factors in both RPS bid ranking, and the payment of revenues for renewable energy, as a straightforward means of improving the transparency of the least-cost / best-fit process. When we initially entered the fray, it was our hope and expectation that the utilities would embrace the concept and take the lead, considering the fact that they are pushing for retail TOD meters and rates, and that it seems logical that it would be in their interest to make sure that they are always paying for procured energy commensurate with its value (see Figure 1 for load-based profiles derived by the GPI for PG&E). In fact, the utilities have resisted adopting hourly-variable TOD monthly profiles, preferring the

much cruder system of dividing the annual hours into six-to-nine broad time periods, as has been the practice since the early 1980s.

Figure 1. Hourly Profiles by Month based on PG&E Demand



Some progress on TOD factors has been made. In PUC Decision D.06-05-039, improved TOD period definitions were adopted (compared to the 1980s definitions still used for SRAC), but the time periods still fail to differentiate, for example, between the value of peak power in June vs. August. Thus, an intermittent resource that is at its strongest in June evaluates as equal to an intermittent resource that is at its strongest in August, even though it clearly is less valuable from the utility's perspective.

Contract Failures and Contingencies

There was a good deal of discussion at the July 6, 2006, Workshop regarding contract failure rates and the need for contingency planning in order to meet RPS targets. Several speakers speculated that careful evaluation of bids and bidders should be able to reduce or eliminate project failures. We wish to point out that with the current system, in which bidders bid projects into competitive solicitations in order to obtain PPAs, a number of important project risk factors cannot be abated until after a PPA has been finalized and approved. For example, geothermal developers are unlikely to perform the full test drilling necessary to confirm their resource until they have a completed PPA in hand. Similarly, biomass developers are unlikely to complete fuel studies and procurement

plans before knowing they have a viable PPA. And all renewable project developers face permitting and financing risks that cannot be addressed until after the PPA is signed. For all of these reasons, it is our opinion that an annoyingly high rate of contract failure, probably consistent with the findings of the CEC contractor report, cannot be avoided. The IOUs would be wise to plan accordingly.

Transmission Issues for Renewables

Most of the attention to date on transmission issues facing renewables has been focused on efforts to bring transmission access to two of the state's richest renewable resource regions, Tehachapi, and the Imperial Valley. While these efforts are of the highest priority, we believe that other transmission issues relevant to distributed (non-concentrated) renewable resources like biomass, biogas, renewable DG, and small hydro also need to be addressed. These resources, which are usually not located in areas of significant resource concentration, sometimes provide important grid services such as voltage stabilization and var support. In current practice, these attributes are neither compensated nor rewarded in the bid evaluation process. In fact, in some cases facilities that provide support services on lines that have poor power factors are penalized, even though they improve the performance of the line and cut overall system losses. This situation needs to be corrected.

Streamlined Accounting for the RPS

The Green Power Institute is on record in the CPUC's RPS proceeding as advocating for simplification of the RPS reporting and compliance rules. We believe that compliance with RPS targets should be based on a single figure of merit, the annual procurement target (APT), with the incremental procurement target (IPT) used only for adjusting the APT, rather than the current two-track system in which procurement performance is based on both the APT and the IPT. The use of the IPT as a compliance target, as well as a means for APT adjustment, made sense during the first couple of years of the RPS program, when a sufficient amount of unallocated geothermal energy was available from the Geysers to potentially reduce the motivation of the utilities to support the development of new renewable generation. Now that several years worth of IPTs have already been added to the original baselines, and the two largest IOUs have fallen behind on their baseline obligations, that is no longer the case, and burdening the CEC and CPUC, as well as the utilities, to separately analyze and track incremental and baseline generation is no longer relevant or necessary. Significant new generation is needed by all obligated LSEs to meet their APT obligations, and that is all the incentive that they should need. In fact, California will be fortunate indeed if sufficient new qualifying renewable generating capacity can be developed to allow all LSEs to achieve the level of twenty percent renewables by the EAP2 targeted year of 2010.